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With the year already halfway over, the IFA and AFA have seen significant activity since our last report.

After meeting with board members from both associations, the decision was made to deny membership to merchant cash advance businesses. This decision was based on numerous complaints and increased scrutiny that could negatively impact the factoring industry. By distantly ourselves from the merchant cash advance industry, we hope to diminish the chance of potential legislation. To read more about this decision and the merchant cash advance industry, see Steve Kurtz’s article on page 24.

Another recent development that concerns the factoring industry is the Justice Department’s Operation Choke Point. The investigation targets 24 industries deemed “high-risk” by the Administration and seeks to “choke off” their funding. The goal is to sever ties between these businesses and their banks so they are no longer capable of operating. The AFA is taking a proactive approach to keep the factoring industry from being classified in this same category. All U.S. based members should have recently received a letter from the AFA Board of Directors asking you to participate in an important survey that will show the economic impact the factoring industry has on the economy. I hope that you will all participate so we can continue our ongoing efforts to raise awareness of our industry. Jeff Rose provides additional insight into Operation Choke Point on page 21.

In an effort to further educate and advance the receivable finance industry, the IFA continuously looks for ways to evolve our partnerships with associations from around the world. Our most recent cooperative agreement is with the Commercial Factoring Expertise Committee of China Association of Trade in Services (CFEC). By partnering with CFEC, we can extend our reach by organizing seminars and workshops on factoring topics and by holding joint networking events. The IFA has entered into similar agreements with the Colombian Association of Factoring (CAF) and the Romanian Factoring Association (RFA). Since these groups share the same commitment of helping the factoring community, cooperation between our associations provides additional solutions for the global challenges our industry faces.

We are always trying to provide effective, cost efficient training tools to assist our members. Our webinars have proved to be an easy way to deliver valuable resources for ongoing training and education. We have hosted several in the past few months and hope you will participate in our upcoming webinars such as the Financial Statement Analysis and Intro to ABL. Please let us know if there is a topic you would like to see covered in the future.

The IFA currently has over 425 active members, making it the largest association of commercial finance companies in the world. With our addition of two local Chapters in Canada and the Northeast, the IFA will provide increased support through training programs and networking opportunities. The IFA continues to be the voice and monitor for the factoring community, representing companies of all sizes around the world. Thank you for your continued support, and I hope to see all of you at a future IFA event.
INDUSTRY TRANSACTIONS
Crestmark Closes Six Transactions Totaling $5.5 Million in the Last Half of June
Crestmark secured a total of $5,500,000 in financial solutions for six new clients in the second half of June.
$2,500,000 ledgered line of credit to a paving company
500,000 ledgered line of credit to a manufacturer of conveyor components
$1,000,000 ledgered line of credit to a bulk mail fulfillment company
750,000 ledgered line of credit to a staffing company
$500,000 accounts receivable purchase facility to a distributor of alternative energy products

$300,000 accounts receivable purchase facility to a start-up trucking company

TAB Bank Provides $15.6 Million in Trucking Equipment Loans in 2014 2nd Quarter
TAB Bank provided $15.6 million in trucking equipment loans for 17 transportation companies during the 2nd quarter for 2014. Based in different regions of the country, these companies represent a broad spectrum of trucking entities including one-truck owner-operators and small and large fleets.

INDUSTRY NEWS
Paragon Financial Group, Inc. Creates Unique Programs to Meet the Funding Needs of Minority Business
Enterprise or Disadvantaged Business Enterprise
These programs are available for US companies through Paragon Financial’s corporate, federal, state, and local government MBE/DBE programs. Specific funding needs of minority and disadvantaged businesses are met through a Letters of Comfort or Financial Capability Certification Program, Vendor Guarantee Programs, AR Management and Credit Protection, and Government Factoring.

Eagle Business Credit Implements Bayside Business Solutions’ CADENCE Live
Eagle Business Credit is implementing the CADENCE Portfolio Management Platform to administer its domestic, export, and transportation receivables.

Platinum Partners
Platinum Partners Credit Opportunities Fund ("PPCO") is an asset-based investment fund providing loans to markets that are underserved by traditional sources of financing. PPCO is active in the trade finance marketplace, providing warehouse lines to established factoring and purchase order finance companies while also working directly with a variety of businesses to provide the capital necessary to finance the purchase or manufacture of their products.

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Tel: (212) 634.5276 Fax: (212) 581.0002
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**Allied Launches New Small Ticket Receivables Program for Niche Industries**

Allied’s Small Ticket Receivables Financing program offers credit lines up to $100,000 specifically designed for two niche industries: water filtration distributors and telecom contractors. Allied recently funded several distributors in Georgia, Texas, and Florida, and four telecom subcontractors in Texas. These transactions typically fund in three to five days.

**PERSONNEL**

Dave Amis Joins CapitalPlus Equity as Business Development Manager

CapitalPlus Equity, a factoring company specializing in the construction industry, will benefit from Dave’s extensive construction background. He comes from a four-generation construction family and has worked at his family’s company for over 15 years. He holds a Construction Management/Engineering Degree from Oklahoma State University.

**Hitachi Capital America Names Indirect Finance VP**

Mark C. Duncan has 19 years of experience with GE Capital, most recently as managing director, GE Capital Corporate Development.

**C. Ray Hines Joins TAB Bank’s Business Development Team**

Ray will serve as Vice President and Business Development Officer, in Cleveland, OH, and will be responsible for sourcing new business opportunities. Ray joins TAB with over 32 years of experience.

**News July/August 2014**

**Canadian Chapter Events**

- **August 19, 2014**
  Summer Golf Gathering

- **September 16, 2014**
  The Business of Money, Legal Issues with Guest Speaker TBA.

- **October 21, 2014**
  EDI: Electronic Data Interchange & Factoring

- **November 19-20, 2014**
  IFA Canada Annual Two Day Seminar

- **December 16, 2014**
  End of the Year Gathering: TBA

**Northeast Chapter Events**

- **September 9, 2014**
  Maplewood NJ
  Golf/Tennis Outing   To be held Jointly with ABI & NYIC
  More details listed on www.instituteofcredit.org

- **Sept 10, 2014**
  Pennsauken NJ
  Bowling Party • To be held jointly with TMA NJ Chapter
  More details listed on www.turnaround.org

- **Sept 15, 2014**
  Alexandria VA
  Educational Program / Webinar to be held jointly with ABI, TMA/Chesapeake, IWIRC DC/MD, NYIC, & ABF Journal
  More details www.abiworld.org

- **Sept 23, 2014**
  Boston MA
  At Deloitte • Luncheon Roundtable

- **Sept 24, 2014**
  Yardley PA
  At Yardley Inn • Factoring Seminar

- **Oct 21, 2014**
  Arno’s NYC
  Joint program with NYIC  Shark Tank Financing Proposals
  More details www.instituteofcredit.org
The outlook for the U.S. commercial construction industry is positive, according to a new report from Jones Lang LaSalle (JLL), after a tough recession in 2009 that brought the sector to a virtual standstill. Spending on nonresidential building construction has been strong in the first quarter of 2014, despite the tough weather.

Ken Simonson, chief economist with the Associated General Contractors of America estimates a 4% to 8% growth in 2014 nonresidential construction, led by 10% or more increases in the power, manufacturing, and lodging construction subsectors. While he forecasts up to 5% drops in highway, street, and education spending, he anticipates a 2% to 5% increase in transportation construction, and up to 5% increases in commercial and office construction.

Factoring and the Construction Industry

Factoring brings different challenges for different industries, with some being trickier than others. The construction industry is definitely one of those industries with many unique differences, and it can be much more labor intensive when it comes to due diligence. Banks are hesitant to lend to subcontractors, and many times, are required by regulators to hold reserves against those loans.

Many of the subcontractors who are looking for factoring, and can’t get bank financing, are expert tradesmen who are former employees of larger firms. Many of these experienced professionals lost their jobs during the recession and could not find work, so they started their own companies. They are experts at their trade, but are not necessarily experienced with the business side of running a company. With this lack of experience, there are obstacles to overcome in underwriting. The financial statements they provide are not ideal and A/R and A/P agings may not be accurate. Therefore, greater due diligence is required in other areas.
Some of the unique challenges involved with factoring to construction customers include:

- **LIEN RELEASES**—in acknowledgement of receipt of payment, subcontractors must execute and provide lien releases for themselves, as well as any materialsmen or subtrades they have used on a particular job.
- **LIEN LAWS**—lien laws are different in each state and are continually changing.
- **CONTRACT TERMS**—construction contracts often include terms such as “paid when paid” and “paid if paid”.
- **PROGRESS PAYMENTS**—for larger/longer jobs, most contractors are required to bill as they progress throughout the project and reach certain milestones.
- **RETAINAGE**—most general contractors will withhold 5-10% from each billing until the entire project has been completed.

The challenges around lien releases are numerous for factoring companies, from the everchanging lien laws to the forms, filing notices, and timing of filings that are different in every state. If you choose to factor invoices for the construction industry, you have to make sure you know the ins and outs of it all, and have a way to keep current with the various jurisdictions your clients may be in.

The contract terms and levels of approval also make the construction industry a bit more challenging to work with than others like staffing and transportation. For example, the “paid when paid” contract term often extends the payment terms of invoices 45 or 60 days, and possibly 90-120 days with government projects. The progress payment stipulation can often be subject to personal interpretation of the work that has been accomplished and the total scope of the project. This often means that items have to be approved by the general contractor, architect, and then the owner, delaying the payment process and providing multiple opportunities for disputes about the percentage that has been completed.

Another concern is identifying all the subcontractors and materialsmen on each job. Given this, determining that every subcontractor and materialsmen has in fact been identified in order for them to be paid and obtain lien releases is imperative. Any unpaid subcontractor or materialsmen can jeopardize the ability for the factoring company to get paid.
If you choose to factor invoices for the construction industry, you have to make sure you know the ins and outs of it all, and have a way to keep current with the various jurisdictions your clients may be in.

What This Means to Factoring Companies

With construction spending for May 2014 at over $956.1 million* and nonresidential construction 6.4% above the same month in 2013 on the strength of the commercial/industrial subsector, you are sure to come across a construction company looking for working capital assistance at some point. If you can’t provide the working capital they are in need of, it is often beneficial to partner with a factoring company who specializes in construction when presented with a construction client. To truly create a mutually beneficial alliance, it is important to find a partner that has a complimentary industry focus so you can ensure your customers get what they need. •

* According to the United States Census Bureau

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NEWS

In July, Gibraltar provided a $250,000 factoring line of credit to a rapidly expanding FL-based importer and distributor of processed frozen fruits from Colombia.

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Scott Applegate is COO and Dave Amis is Business Development Manager at CapitalPlus Equity.

Dave Amis has an extensive construction background, having come from a four-generation construction family. CapitalPlus Equity is a factoring company assisting construction companies with their cash flow needs. For more information on CapitalPlus Equity, visit www.capitalplus.com. Dave can be reached at (865) 670-2345 or amis@capitalplus.com.

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Beware of Shark Attacks

The Shark Tank is a highly rated television show that provides entrepreneurs the opportunity to solicit a cash investment in their companies from a panel of self-made millionaires. The entrepreneurs offer to sell a percentage of equity in their company in exchange for working capital. If members of the panel like the proposal, they will either accept the offer or make a counter offer. A bidding war among the panel occurs if the entrepreneur has a good product and has made a good presentation. Since I live in the purchase order funding world, the show drives me more than a bit crazy, as so many of the entrepreneurs only need purchase order financing and need not give up any equity to get the funding they seek.

BY MICHAEL HILTON

An often repeated scenario is one where the company has done some business and has been struggling financially and now has a significant order from a large box store. They have lined up their source of supply, which most often is offshore, but they have to pay for the product before it will be produced or shipped. If they don’t find financing, they will have to turn down the order and continue to struggle financially. The entrepreneurs are usually product savvy but poor business people, and their hope is that they find a business partner in a shark that will not effectively make them an employee when the final deal is struck.

If the entrepreneurs had been introduced to a purchase order funder instead of the “Sharks”, the discussion would be quite different. Rather than starting with how much equity they were willing to give up and a corresponding discussion on the evaluation of the company, the conversation would concern their products, the quality of the PO’s in hand and how to fund their suppliers in a manner that protects all parties. Rather than asking “How much equity will you give up?”, the PO funder would be offering to help the company’s growth by providing vendor financing, maintaining quality control, helping with logistics, and helping find receivable financing after the product is shipped, delivery made, and invoices rendered. In effect, devote your time to getting additional business, and we will see that your product gets produced properly and delivered to the customer in a timely fashion.

The Shark Tank is a great marketing tool for a young upstart company. However, if the owner wants to grow the business without losing equity, selecting purchase order financing is the way to go versus being bitten by a shark. They should keep the sharks at bay with PO funding.

Purchase order funding also helps receivable financiers in various ways. AR funders with clients who have funding needs that pure receivable or equipment financing can’t solve in their entirety often need to help find additional funding or risk the loss of the client. In many cases, the need for additional funding is due to a client not having, or exceeding, the credit limits it has with its suppliers, who will not ship or, in some cases, even manufacture until they are paid or assured of being paid. Purchase order funding is the exact solution to the problem, while at the same time providing a solution to increase the receivable
to monitor and over time, slow or obsolete inventory often becomes a larger percentage of the overall inventory and will not be able to be sold for normal margins, and possibly at big discounts to cost. As a result, the balance sheet of the borrower grows to be overstated, as well as the reported earnings. Purchase order funding provides an alternative funding mechanism for banks and asset based lenders for having to fund some or all inventory and provides a perfect complement to a factor who has prospects with purchase orders in hand.

Purchase order funding is quick and user friendly, as it can usually be established in 5 to 10 days from receipt of a fully completed application and supporting documents. Contracts will grant a facility size

financiers' volume and fees.

We have seen situations where asset based lenders and banks have set lending limits on a client’s borrowing facility and are unwilling to increase the line or do over advances when requested by the client in order to grow the business. The reason for not considering an increase include the loan being relatively new, and now is not the right time to go back to the loan committee for an increase. In some instances, the lender is not willing to increase the line from an exposure standpoint. We have even seen instances where the loan is out of covenant compliance and, in some cases, in forbearance, but the lender is not forcing the client to find new funding. In all of these situations, the lender, if it does not want to have the client look for other funding sources, will need to find a resolution to the funding need. The client usually needs the additional funding in a hurry because it has orders to fulfill and will likely stay with the current lender if an acceptable solution can be found that does not take long to obtain. Both parties have motivation to make something work. Purchase order funding often can provide the liquidity to fund up front production which, in many cases, may be all that is required to solve the needs of the both the lender and the client.

Booking new clients is extremely competitive, and during the courting process, the funder who can solve all of the funding needs of the prospect has the best chance of landing a new client. New prospects are usually dissatisfied with their current funder or have reached the point that self-funding is no longer an option if they are to grow and prosper. Asset based lenders and banks would prefer not to fund inventory, and factors fund receivables, not inventory. The reason that inventory is funded only as a last resort is because it is hard
and an intercreditor will need to be established with the lender or factor that will provide the receivable funding to pay off the purchase order funding. Once contracts are in place, funding usually occurs within 24 hours of a request.

Purchase order funding is for the production of inventory to fulfill a purchase order issued by a creditworthy customer of the client. It, therefore, is not available for funding of services to be rendered. The vast majority of purchase order funding is for product that is subcontract manufactured. Where there is value added internally, it becomes increasingly more difficult to fund, depending on the amount of work to complete. Purchase order funding for complete in-house manufacturing is often very difficult to obtain.

It is not uncommon for a prospect to call saying that they have a purchase order, and they understand that they can borrow seventy to eighty percent of the face amount of the purchase order, with the proceeds going to disburse, without any control over the disbursements by the PO funder. That is a serious misunderstanding, as the PO funder needs to control all aspects of the transaction by paying suppliers directly.

A transaction that is purchase order funded should give comfort to both the client and the receivable take out funder. The purchase order funder protects the client from faulty product or late shipments as a result of the inspections required and the payment method employed, to assure on time shipment, as well as providing back office logistics support. The receivable lender and factor should also be comforted in knowing that the receivables they fund will ultimately not have discounts taken because of quality issues.

Michael Hilton is Co-President of Brookridge Funding, which he co-founded in 1994. Brookridge provides purchase order funding for clients throughout the United States and Canada. He graduated with a degree in business administration from St. John Fisher College before starting his career with Price Waterhouse. He subsequently was chief operating officer of seven companies in a variety of industries before co-founding Brookridge. He has served as a board member and treasurer of the Connecticut Chapter of the Turnaround Management Association and is currently on the Advisory Board of the IFA. Michael can be reached by phone at (203) 790-7301 or by email at MHilton@brookridgefunding.com.
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UPCOMING EVENTS

8/5 - 7 Financial Statement Analysis Training
Webinar 10am - 12pm PDT

9/8 - 10 Intro to ABL Training
Webinar 10am - 12pm PDT

9/11-12 Transportation Meeting
Omni Nashville Hotel, Nashville, TN

10/13-14 Portfolio Operations and Monitoring
Planet Hollywood, Las Vegas, NV

10/16-17 Credit, Underwriting & Collections
Planet Hollywood, Las Vegas, NV

10/27-28 Small Factor’s Meeting
Planet Hollywood, Las Vegas, NV

11/3 - 4 Commercial Finance Workouts
Offices of Buchalter, Nemer
Los Angeles, CA

1/21-23 President’s & Senior Executive’s Meeting
The Fairmont Kea Lani Resort, Wailea, Maui, HI

3/10 Luncheon Meeting w/ NYIC
Arno Ristorante, New York, NY

4/15-18 Annual Factoring Conference
The Roosevelt, New Orleans, LA

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The Current State of Asset Based Lending

There are questions constantly being asked about the current state of the asset based lending (ABL) market. The quick answer is that it continues to expand. Excess liquidity in the capital markets and numerous companies still recovering from the recession are a couple of factors driving the growth. The excess supply of capital has added additional pressure for the loan portfolios to grow.

BY MILTON ISKRA

This need for growth has forced downward pressure on pricing and resulted in extremely thin interest rate spreads. Increased competition is affecting loan structures, and lenders are taking more risk. However, this quick answer makes it difficult to draw any clear conclusions. An in-depth analysis of the various types of organizations that make up the ABL market, their individual challenges, and their strengths and weaknesses needs to be completed before the current state of the ABL market can be understood.

The ABL market has been splintered into two distinct segments: larger, better capitalized businesses and smaller, more debt-reliant companies. The larger ABL market is largely controlled by national and super regional banks, although there have been an increasing number of smaller institutions adding an ABL lending group to compete in this segment. Armed with a near zero cost of funds, these banks are attempting to grow their loan portfolios, while regulators are attempting to limit lending risk and improve capitalization of banks. Thus ABL has become the favored lending discipline and has increased the number of regulated lending groups. A continuing challenge for this segment of the ABL market is generating sufficient income from lending, as interest spreads have continued to compress. There is an increasing focus on ancillary services to generate additional fee income, and in many cases, the investment banking arm of the national and super regional banks have taken over the ABL lending groups. The groups are no longer considered, or managed as, a discrete lending unit, but are actually one of many products or services offered by the bank. In addition, these banks have attempted to gain further efficiency by creating industry verticals to concentrate efforts on specific industries.

The need by the national and super regional banks to grow their portfolios and generate critical mass has basically forced them to focus on loans in excess of $20 to $30 million. This has created a vacuum in the smaller end of the ABL market (second segment) that is being filled by smaller regional or non-regional banks and by non-bank lending organizations. Although the lines are many times blurred between non bank and bank ABL groups, ultimately the non bank, with a higher cost of funds, must either take on additional risk or provide greater flexibility in order to obtain higher pricing. This segment is extremely fragmented, with only a handful of organizations with national platforms. The smaller banks’ ABL groups are limited geographically to the bank footprint and may have to be more restrictive in loan structures than the larger ABL segment, but pricing pressures are similar, albeit the smaller segment generally has higher pricing. While there has been
a noticeable movement of private equity entering this segment of the ABL market, the ability to leverage the portfolio continues to be a major obstacle to growth. In many cases, the national and super regional banks have stepped in to provide leverage to this segment in the form of an ABL-type product.

With regulatory pressure on the bank lending, initially on cash flow lending with anticipated control on ABL as well, there has been another non-bank alternative in the rapid expansion of business development corporations (BDCs) which have been filling the gap left by regulatory pressure in the cash flow markets. Though basically a debt vehicle, a BDC may make equity investments up to a certain percentage of their total capital. There have been a number of recent equity investments by BDC in asset based lending companies which is a logical alternative to expand the ABL market. Though the BDC has a much higher cost of funds than a bank, they serve a niche where the utility and timing of the money is of more value than the increased pricing. As stated, the ABL market is continuing to expand, but the means of this

The Commercial Factor | July/August 2014

Milton Iskra serves as Managing Director of NewStar Financial, Inc. and National Marketing Manager of NewStar Business Credit, the company's asset-based lending division. He joined the company from CORE Business Credit, which was acquired by NewStar in November 2010. Milton has over 30 years of experience in both asset-based and cash flow-based financing and has successfully built market share and grown portfolios in his previous roles. He can be reached by phone at (214) 242-5803 or by email at miskra@newstarfin.com.
In my years spent in Midland, TX working with a broad range of companies that provide products and services to the oil and gas industry, I have learned a great deal and have come to realize that there is still a great deal to learn.

BY DOUG GREGORY
Everyone has a theory about how long the oil and gas boom will last and when there will be a slowdown. Visiting with different individuals within the industry, the slowdown could occur as soon as tomorrow and as far down the road as fifty years from now. Production in the United States has improved thanks in large part to improvements in technology. As long as the industry can continue to find solutions related to transportation and refining, the industry should see continued success for years to come.

The last slowdown was in 2009 and did not last very long. One of the biggest lessons learned during that time had to do with companies purchasing new equipment. For instance, a company that provided transportation services for a major oil company may have purchased and financed new trucks prior to the downturn; they would have had those trucks parked, but payments were still due. Many of those companies had equipment repossessed and sold at auction, at a discount. Since that time, (especially in transportation) it appears that companies have moved to hiring owner-operators to avoid investing in new equipment. This way, if there is a downturn, they can just lay off the owner-operators and not have to pay for the equipment.

Some of the issues that face factoring companies that do business in the oil and gas industry today are:

- **SINGLE-DEBTOR CONCENTRATIONS**—many smaller companies obtain an MSA (Master Service Agreement) with a major oil company. Not only is this a potential issue with approval of the debtor-credit facility, but there is inherently more risk with a single-debtor versus a well balanced portfolio of multiple debtors.

- **START-UP COMPANIES**—because of the boom there are a lot of companies just starting, with no published trade credit, that grow quickly. These companies can be hard to credit-qualify, but can be a good paying customer and a good relationship for your client. A client can sometimes not understand that a factoring company is unable to purchase invoices for that potential debtor. Factoring companies have to be cautious and give the client good advice in regard to establishing credit limits for these companies.

On several occasions, I have seen the client go ahead and work for a company like this, where the credit was declined by the factor. The company ended up filing bankruptcy,
and the client never got paid. This can be tough on a factoring client.

- **COMPANY MEN** — The potential risk a factoring company has with any company man is the potential for fraud or collusion. The client can submit invoices for work that was not performed, and if the company man signs off and sends to A/P, the chances are these invoices will be paid. There are many ways to do it. I would recommend having a second set of eyes at the company to make sure the invoices are valid.

Another issue in this instance is that the potential client may have a great relationship with a specific company man at the oil company. If that company man changes jobs and moves to another company, who is to say that his/her replacement will continue to use the same client going forward. The client could end up with the former company man if he/she ends up in another similar position and can bring the client in to perform the same service at his/her new company.

- **RELATIONSHIPS** — The energy industry still somewhat operates on a handshake. There can be a few written rates or contracts in place (aside from an MSA). With most other industries, there will be a written agreement (purchase order, delivery ticket, tracking number, etc.). Agreements in the oil and gas industry can be verbal. The work may have been completed, but not in the amount of time it took compared to what is being billed, but the customer will still likely be satisfied with the billing. The relationship between the man ordering the work and the man doing the work can be the key. Customers will tend to follow the Company Man if he/she leaves the company. Unfortunately, this poses several problems: 1) It can be difficult to verify the work. 2) Fraud is easily allowed in this system. 3) If a problem ensues, the relationship between the factor’s client and the debtor may be stronger than that of the debtor and the factor, therefore, making it hard for the factor to obtain information. 4) Factor’s clients will typically know Everyone has a theory about how long the oil and gas boom will last and when there will be a slowdown. Visiting with different individuals within the industry, the slowdown could occur as soon as tomorrow and as far down the road as fifty years from now.
who wants to work is already employed. West Texas has the lowest unemployment rate in the nation. We have been fortunate to be able to relocate some good people and find some people locally who are smart and have a great attitude.

The volatility of what drives the industry is oil, a commodity. The highs are high, and the lows are low. The problem is finding the balance between taking risk to do more when the price of oil is high, and being prepared for the times when the industry drops, which can happen overnight. •

Finding good and qualified staff can be a challenge, as well. Everyone

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Doug Gregory is President of Security Business Capital. He has 20 years of experience in Operations, Underwriting, and Business Development. He started with Security Business Capital in 2011 as Operations Manager and was promoted to Executive Vice President and Chief Credit Officer in 2013. Doug finished the Graduate School of Credit and Financial Management at Dartmouth University through the National Association of Credit Management. He passed the CCE exam in June 2014. In his spare time, Doug enjoys running, and traveling with his wife and four children. He can be reached by phone at 432-520-5500 or by email at dgregory@mysbcapital.com.
What charities are you involved with? What causes are nearest to your heart?
The causes that are nearest to our hearts are ones where we can see a direct and immediate impact for the contributions we and our employees have made.

How did you become involved in the charity or charities?
We became involved as a result of the mentoring of our founder, Jerry Curley, now deceased. We have made a corporate commitment to support organizations that serve others in many different ways.

Where do you see it making a difference?
Each of us (individually and as corporate entities) has the ability to make a difference in the lives of others. By supporting our community and those in need, we strengthen our local area and hope that we serve as an example for others to do so, as well.

How has volunteering affected you? Has it influenced or had an affect on your business?
We believe that being an excellent and involved Corporate Citizen is one of the cornerstones for success. Through giving and volunteer efforts, our professionals find ways to contribute to the communities in which they live and work, as well as to people and communities in need of support.

Why is giving back and helping these organizations important to you?
Because it the right thing to do. As noted on our website, we believe in this so strongly that it is the core value of our firm.

Do you have any corporate-wide programs on volunteering/charitable giving?
Yes; we have a written set of policies and procedures we utilize to ensure that we support worthy groups on an equitable basis.

How can we learn more about the charities you are involved with?
This is a great question. One way to do this is to highlight (as we do) the charity on a website, and provide a link or description of their mission, etc. This way, the charitable organization receives coverage, and it furthers the education process for their organization. •
Initially, Operation Choke Point (OCP) was focused on payday lenders, short-term lending, and online lending in particular. According to the Department of Justice (DOJ), the stated goal of Operation Choke Point is “to combat mass-market consumer fraud.”

However, according to a report issued by the House Committee on Oversight and Government Reform, OCP was created by the DOJ to “choke out” companies it considered to be “high risk” or “otherwise objectionable”, despite the fact they are legal businesses. The apparent goal of the program is to deny certain businesses access to the banking and payments networks they need to survive.

The report also indicates that OCP is based on the theory that providing normal banking services to certain businesses creates risks to financial institutions sufficient to trigger a federal investigation. As such, bank regulators have labeled a wide range of lawful businesses as “high-risk.” The predictable result is that many banks have terminated relationships with a wide variety of legitimate businesses.

Thus, as a practical matter, OCP has become an extremely significant and troubling program. The program is based on a novel interpretation of FIRREA (Financial Institutions Reform, Recovery, and Enforcement Act of 1989), that merely providing normal banking services to certain businesses creates a “reputational risk” that is an actionable violation.

OCP has effectively transformed pre-existing FDIC guidance into a threat of a federal investigation. The guidance originally provided to banks identified a variety of businesses who posed “elevated... legal, reputational, and compliance risks” to depository institutions. However, there were no explanations for the designation of particular businesses as “high-risk.” Suddenly, under OCP, doing business with a “high-risk” merchant is sufficient to trigger investigation, even though there are no satisfactory explanations for the implicit equation of legitimate activities with patently illegal or offensive activities.

Who is next on the Operation Choke Point list? Clearly, the need for our representation in Washington has

Continued on page 23

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2014 Members & Donations

As of July 21, 2014

**Diamond Member ($10,000+)**
- Advance Business Capital
- Apex Capital Corp
- Bibby Financial Services, Inc.
- Crestmark Bank
- D & S Factors
- Gulf Coast Business Credit
- International Factoring Association
- J D Factors
- National Bankers Trust
- TBS Factoring Service, LLC

**Platinum ($5,000 - $10,000)**
- Accord Financial, Inc.
- Far West Capital
- Great Plains Transportation Services
- Interstate Capital Corporation
- MP Star Financial, Inc.
- Phoenix Capital Group, LLC
- RMP Capital Corp.
- Sunbelt Finance
- TemPay, Inc.
- TransAm Financial Services, Inc.

**Gold ($2,500 - $5,000)**
- Amerifactors Financial Group
- Allied Affiliated Funding

**Silver ($1,000 - $2,500)**
- Amerisource Funding, Inc.
- Commercial Business Finance
- Durham Commercial Capital Corp.
- Entrepreneur Growth Capital, LLC
- Evergreen Working Capital, LLC
- Factor King, LLC
- FactorPlus
- Firstline Funding Group
- FSW Funding
- J.O.B.E. Services, Inc.
- K.W. Receivables
- Levinson Arshonsky & Kurtz, LLP
- Match Factors, Inc.

**Bronze ($500 - $1,000)**
- Advantage Business Capital
- American Funding Solutions LLC
- Brookridge Funding
- BTB Capital Corp.
- Commonwealth Capital, LLC
- Concept Financial Group
- Firmco Business Funding
- G Squared Financial, LLC
- Gateway Trade Finance, LLC
- Leland Capital Advisors
- QC Capital Solutions

**Other (Under $500)**
- Downtown Capital Partners, LLC
- Pipeline Financial Services

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Nationwide Capital Funding, Inc.
Northwest Capital, LLC
Paragon Financial Group, Inc.
PRN Funding, LLC
Prosperity Funding, Inc.
Saint John Capital Corporation
SouthStar Capital, LLC
Spectrum Commercial Services Company

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The Commercial Factor | July/August 2014
WHAT’S NEW AT IFA  JULY/AUGUST 2014

Our Preferred Vendors have undergone a screening and evaluation process. When you contact the Preferred Vendors, you will need to indicate that you are an IFA member to receive your benefit.

**If you offer a good or service to the Factoring Industry and are interested in applying for Preferred Vendor Status, please contact the IFA at 805-773-0011.**

**CERTIFIED EMAIL**

RPost

RPost’s Registered Email services allow factors to end disputes attributed to missing, misplaced or denied receipt of notification emails for notices of assignment, notices of default, borrowing base certificates, and other important notifications. It also helps speed invoice collections with proof of invoice delivery irrefutably starting the accounts receivable aging clock.

www.rpost.com/ifa

IFA Members receive a $10 discount per 100 pack. Also, the first order from each company will be doubled.

**CONSULTING**

12five Consulting

12five Consulting provides technology and social media consulting to the commercial finance industry. Born out of its sister company, 12five Capital, 12five Consulting understands the technological needs of the commercial finance industry, as it was their application of these tools that lead to their expertise. 12five specializes in software optimization, cloud computing implementation and social media representation.

Phone: 630-270-3072 • www.12five.com
Email: ryan@12five.com

IFA Member Benefit: One free hour of initial phone consultation

FactorHelp

FactorHelp has come to be regarded as the factoring industry’s premier resource provider. Their manuals, in use on every continent of the world, are setting the industry standard, and their reputation as the one-call solution for factoring problems is growing. By consistently introducing innovative, viable products, vigilantly cultivating an extensive alliance of Strategic Partners and providing the professional expertise demanded of an industry leader, FactorHelp strives to maintain its goal of providing the unparalleled service the factoring industry expects from a solutions partner.

Phone: 972-722-3700 • www.factorhelp.com
Email: dwilson@factorhelp.com

IFA Members receive a discount of 10% on their consulting fees and 5% discount on all FactorHelp products in the IFA store.

**CREDIT**

Ansonia Credit Data

With over 150 factors and growing, Ansonia Credit Data is the leading provider of affordable business credit reports. They understand the unique needs of ABL/Factoring companies. With no set-up or annual fees, Ansonia’s reports feature real-time access to a global database on companies of every size, industry and market segment. Whether you’re looking at a company in the USA, Canada, Mexico or beyond, Ansonia credit reports are priced at a low $8 with a substantial discount offered for participation in our A/R data exchange.

Phone: 855-ANSONIA • 855-267-6642 x.103
www.ansoniacreditdata.com

IFA Member Benefits: Free VIGILANTE™ Portfolio Analysis. Try Ansonia’s unique new program for monitoring credit portfolio risk. Call today to receive a comprehensive review of your entire portfolio.

Credit2B

Credit2B is a transformational cloud-based platform that combines third party credit information with what we call the Intelligence of the Community™, that is a network of the thousands of leading credit professionals and credit grantors that have a common interest in accessing better credit information about their trading partners. Our mission is to provide our clients better, timely, more relevant and highly accessible credit information at incredibly affordable prices. We do this through a compelling solution that leverages the power of peer network intelligence, quality bureau data, and advanced computer analytics to create an unparalleled experience.

Phone: 201-714-4514 • www.credit2b.com

IFA Members receive free trade reports in exchange for AR data. Also receive free bankruptcy notifications & preferred rates for collections - 15% contingency fee.

Dun and Bradstreet (D&B)

D&B is your source for the best business insight in the world. D&B’s global database contains the deepest, broadest, most rigorously quality-assured business insight available, covering more than 210 million businesses worldwide. With this insight, D&B has been enabling companies to Decide with Confidence™ for more than 170 years.

Phone: 973-605-6344 • Website: www.dnb.com

IFA Member Benefits: New & Returning customers: receive DISCOUNTS off D&B solutions. Discount is for IFA members that are not current D&B customers or have been gone for a period of one year. Existing customers: receive discounts on other D&B solutions not under contract. (ie: Hoovers, Supply, DNBi Modules)

Transcredit

CREDIT SCORING is one of the most important financial tools that you can use to make sound yet prompt business decisions. At TransCredit we know just how crucial this data is to keep freight in motion across the USA. In 2011 more than 93 million loads were rated by our Credit Score & Days-To-Pay™.

Phone: 800-215-8448 • www.transcredit.com

IFA Member Benefit: Receive a discount of 50% or more. Score your portfolio through Bayside’s Cadence Factoring Software or directly with Transcredit.

**CREDIT CARD PROCESSING**

ePaymentAmerica

ePaymentAmerica is the nation’s leading provider of merchant services for the factoring, A/R financing, and P/O financing industries. They offer IFA members exclusive VISA, MasterCard, American Express and Discover pricing, a discount on their virtual gateway, and a discount on PCI Compliance Certifications.

Phone: 901-385-5335 • www.epaymentamerica.com

Email: factoring_program@epaymentamerica.com

IFA Member Benefits: Interchange Plus Pricing Bundled Monthly Service Fee of $30.00 (includes IRS regulatory compliance, account maintenance, PCI compliance, virtual gateway & online management tool.) *Based on volume/ transaction count.

**DISASTER RECOVERY SERVICES**

Agility Recovery

For the past 22 years, Agility Recovery has been a premier provider of onsite recovery solutions across the United States and Canada. When disaster hits, Agility will be on the scene, providing you with any, or all, of the critical elements you need to keep your business in business: power, space, technology, connectivity. Membership also includes access to a dedicated Continuity Planner and secure access to your myAgility planning portal to assist in building and maintaining your business continuity plan.

Phone: 704-341-8700 • www.agilityrecovery.com
Email: salesupport@agilityrecovery.com

IFA Member Benefits: 5% discount to each respective client’s monthly ReadySuite membership fee.

**FUNDING**

RMP Capital Corp.

RMP Capital Corp. is a best-in-class provider of Rediscounting Lines of Credit to Independent Factoring Companies with portfolios from $250,000 to $3,000,000. Understanding the needs of the Independent Factoring Company is the driving force behind a funding program which has helped clients build their operations and grow their portfolio. With over 10-years of industry experience, RMP Capital Corp. prides itself on taking the time to understand its client’s needs, which helps its clients realize their potential and achieve their goals. From providing capital to providing support, RMP Capital Corp has the solution for you.

Phone: 631-738-0047 • www.rmpcapital.com

IFA Member Benefits: RMP Capital Corp. will pay your IFA membership yearly dues.
Marketing

50 Words Marketing, LLC
50 Words is a marketing outsourcing firm for companies that either do not have a marketing department or that need to add more manpower to their existing marketing team. They serve as your dedicated marketing department.
Phone: 610-631-5702 • www.50wordsmarketing.com
IFA Member Benefits: IFA Members will receive five hours of marketing services with the purchase of any marketing service. (Offer to new clients only)

Purchase Order Financing

Gateway Trade Finance, LLC
Gateway provides purchase order funding for importers, distributors, wholesalers, and exporters nationwide. They will work with a client’s current or perspective factor, ABL, lender, bank, and private lender. Gateway can fund 100% of the cost of pre-sold finished goods in transactions from $25,000 to $4,000,000. They will do the small transactions and one-off transactions that are not currently funded by their competitors. “Financing Growth for Entrepreneurs.”
Phone: 703-548-2882
www.gatewaytradefinance.com
IFA Member Benefit: Gateway will pay a 12.5% referral fee on completed transactions on all deals brought to them by IFA members.

RMP Trade Credit, LLC
RMP Trade Credit is the leading source of small ticket Purchase Order Financing. They do deals from $5,000 to $2,000,000 per month. They consider larger deals with participation. RMP Trade Credit closes deals faster than any other competitor. Their staff has over 100 years of manufacturing, importing, and exporting experience to help their clients with their needs.
Phone: 877-340-2388 ext 400
www.rmptradecredit.com
IFA Member Benefit: RMP Trade Credit will offer a 15% commission on all PO deals referred by an IFA member.

Recruitment Agency

Commercial Finance Consultants
Established in 2002, CFC is the premier provider of human talent to the factoring industry. CFC’s goal is to provide their clients with the best available human capital and the most current industry information to assist in accomplishing their growth potential.
Phone: 469-402-4000 • www.searchcf.com
Email: dar@searchcf.com
IFA members will receive an additional 60 days added to the guarantee on all placements.

Software

Bayside Business Solutions, Inc.
Bayside Business Solutions is an innovative supplier of commercial portfolio management software that lets lenders manage factoring, invoice discounting, asset based lending, and more on a single platform—CADENCE (formerly FactorSoft). Control more. Monitor More. Lend More. With CADEENCE.
Phone: 205-972-8900 • www.baysidebiz.com
IFA members will receive 10% off license fees and add-on modules. For IFA members who are currently Bayside customers: Free one day refresher course, per year, at Bayside’s training facility in Birmingham, AL.

FactorFox
FactorFox Citrus is a cloud application for factors, their clients, brokers, lenders, and others who enter or access data. Entries can be made and reports accessed from any internet-connected computer, tablet, or smart phone. As a web-native program, there is no extra cost for setting up your account or to access your data; further, you receive three hours of free training online. FactorFox’s various versions make it suitable for nearly any size factor.
Phone: 866-432-2409 • www.factorfox.com
In addition to the one-month free trial for everyone, IFA Members receive an additional two free months for a total of three free months to try the complete program.

Tax Compliance

Tax Guard
Tax Guard is the only tax compliance company in the U.S. that works with lenders to expose credit risks in real-time before it becomes public information. Unlike a traditional public record search for federal tax liens, Tax Guard utilizes a proprietary, patent-pending process, providing due diligence and tax monitoring reports to lenders across the United States.
Phone: 303-955-3282 • www.tax-guard.com
IFA Members will receive a 20% discount on the same-day due diligence order.

Transportation

ExecuCar
This is a premier luxury sedan service that offers private transportation with experienced professional drivers. Whether you are heading to the airport, a business meeting or social event, ExecuCar will get you there safely, in style and comfort.
IFA Member Benefits: Save 10% on your roundtrip transportation by booking online with ExecuCar at www.execucar.com. Use the following Discount Code: CLLMC

SuperShuttle
SuperShuttle is the nation’s leading shared-ride airport shuttle service, providing door-to-door ground transportation to more than 8 million passengers per year. Their friendly drivers, comfortable vans and reasonable rates make the hassle out of getting to and from 33 airports in over 50 US cities and surrounding communities.
IFA Member Benefits: Save 10% on your roundtrip transportation by booking online with SuperShuttle at www.supershuttle.com. Use the following Discount Code: CLLMC

UCC Search

First Corporate Solutions
First Corporate Solutions is a full service public records provider specializing in the research, retrieval and filing of public records nationwide and internationally. Their services include industry standards such as UCC, lien and litigation searching. UCC and corporate filing services, nationwide registered agent coverage and real property title searching, as well as unique solutions such as state and county account monitoring designed specifically for Factors.
Phone: 800-406-1577 • www.ficoso.com
Email: daves@ficoso.com
IFA members will receive a 10% discount off of the retail rates of their signature state and county account monitoring product.

IFA Calendar of Events

September 8-10
Intro to ABL Training
Online • 10am-12pm PDT

September 11-12
Transportation Meeting
Omnì Nashville Hotel, Nashville, TN

October 13-14
Portfolio Operations and Monitoring
Planet Hollywood, Las Vegas, NV

October 16-17
Credit, Collections & Underwriting - The Art of Getting Paid
Planet Hollywood, Las Vegas, NV

October 27-28
Small Factors Meeting
Planet Hollywood, Las Vegas, NV

November 3-4
Commercial Finance Workouts
Offices of Buchalter, Nemér, Los Angeles, CA

January 21-23
2015 Presidents & Senior Executives Meeting
Fairmont Kea Lani, Wailea, Maui, Hawaii

March 10
Luncheon Meeting with NYIC
Arno Ristorante, New York, NY

April 15-18
2015 Factoring Conference
The Roosevelt, New Orleans, LA

For details about IFA events, please visit www.factoring.org

AFA Update

Continued from page 21
never been more important. If you have not become personally involved in the AFA, please do so today.

Founded in 2009, to provide a unified voice for the factoring industry, the AFA is dedicated to promoting and protecting the interests of the factoring community. The AFA board is made up of volunteers who devote time and their own funds to travel to Washington, D.C. on behalf of the factoring industry.
Merchant cash advance funding is a type of financing that is typically done with small businesses, including sole proprietorships. The advances are often structured as a purchase of accounts, where the merchant cash advance company advances a certain sum to its borrower in exchange for a set repayment of a higher amount. Unlike factoring, the merchant cash advance company does not typically notify account debtors and redirect payments. Instead, the merchant cash advance company is repaid through either taking control of the debtor’s credit card repayment stream or it initiates automatic debits against the debtor’s deposit accounts. The merchant cash advance company may, but does not always, obtain a security interest and file a UCC-1 financing statement (often using a third party’s name on the UCC-1). The typical annualized interest rate is usually much higher than factoring.

The problems which led to the IFA Board’s and AFA’s (American Factoring Association) decision, which were carefully deliberated, were brought about for several reasons. First, there have been several complaints that certain merchant cash advance lenders have targeted various factors by conducting reverse lien searches and then soliciting the factoring clients, with some making false and disparaging statements. Second, the merchant cash advance financing arrangement often leads to breaches of factoring agreements, because the factor client granted junior liens against the factor’s collateral or took on additional debt without the factor’s consent and knowledge. Also, the merchant cash advance lender often exercises control over the factor’s collateral by initiating bank debts or controlling credit card receivables. Often, the merchant cash advance loan creates an additional layer of debt at higher rates that the factor client cannot support over time. However, the merchant cash advance lender typically knows about the factoring arrangement and is paid back through automatic bank debits, which usually are comprised of the factor’s advances or proceeds of other factor collateral. Finally, due to the actions of some merchant cash advance lenders, the merchant cash advance industry has drawn attention from regulators, including the U.S. Consumer Financial Protection Bureau, the Federal Trade Commission, and state regulators. A merchant cash advance deal can easily be confused with factoring because the transaction, on its face, is usually structured as a purchase. The negative publicity generated by some in the merchant cash advance loan industry can invariably harm those in the factoring industry.

Is the merchant cash advance industry a threat to the factoring industry? It can easily be argued that merchant advance financing is an innovative way to finance small businesses that do not qualify for traditional bank financing.
reason why companies go to factors in the first place). It can also be argued that merchant cash advance financing is easy to set up, fairly simple to administer and requires no third party interaction with the borrower’s customers. This argument makes sense, as the financing industry has to evolve, and innovators will continue to find new and creative ways to provide commercial financing. The problem lies with several of the players involved in the merchant cash advance industry. Merchant cash advance financing, like factoring, is unregulated. It is also pretty easy to set up a merchant cash advance company and investors like the high rate of return. Because of the relative ease to set up a merchant cash advance company, there are a high number of new and aggressive players who have engaged in questionable activities. There are also several reputable companies engaged in this business. Unlike the factoring industry, which has trade organizations, like the IFA and AFA, who strive to make sure its members adhere to a high standard of ethics and are constantly providing educational opportunities for their respective member organizations, there is no similar governing body in the merchant cash advance industry. While there is an organization known as the North American Merchant Cash Advance Association, it is comprised of 16 members and does not seem to be as concerned with self-regulating and industry reputation.

With respect to the factor, which does not want its factor client granting additional liens or incurring additional layers of debt, there are few things that can be done to stop a client from entering into a merchant cash advance transaction. The first thing is to consider expanding the restrictive language which many in the industry put in their UCC-1 financing statements. The factoring industry, for years, has put language in its financing statements, which puts other lenders or factors on notice that the factor client is not authorized to grant additional liens. While there are arguments that support a theory that such bulletin board statements do not work, there are published cases, which hold to the contrary and, thus, it is the better practice to put in language in the financing statement to put others on notice. Because merchant cash advance transactions are often structured as unsecured transactions, a merchant cash advance lender may argue that it has no duty to look for financing statements as it is not concerned with any collateral. That argument should not work because merchant cash advance deals often grant collateral and, even those that don’t grant collateral, are structured as account purchases, and the purchase of accounts is indeed governed by the UCC (UCC Sec. 9-109(3)). Thus, it is suggested that the factor insert something like this in its UCC Financing Statements: “The Debtor is not authorized to: (i) grant junior liens against the collateral; (ii) sell accounts; or (iii) incur additional debt beyond normal trade debt without the secured party’s permission. The secured party reserves all of its rights against anyone who participates in the violation of its rights.”

In addition, there are often times when the factor client does need an additional financing boost. In that regard, factors who offer trade credit facilities can often bridge the gap by providing additional forms of financing which will preclude the factor client from going to a merchant cash advance lender who usually charges higher rates than the factor. This type of financing can include an over advance facility, advances on purchase orders, inventory advances, facilitating letters of credit, issuing supplier guarantees or reverse factoring. The factor can easily incorporate these facilities into the factoring transaction and, thereby, has greater control over the deal because of its relationship with the account debtors.

The merchant cash advance industry has discovered and targeted a viable market opportunity. Unfortunately, due to the lack of any central organization that the industry can turn to, and the high proliferation of new players who sometimes resort to questionable marketing tactics, the merchant cash advance industry may negatively impact the factoring industry. At the moment, there seems to be too many new players in the merchant cash advance industry, with no experience and loose underwriting standards. There is likely going to be a shakeout because the industry segment has a high default rate and investors who lose money will lose their appetite for the deals. Before the market corrects itself, the factoring industry will have to ride out the storm by adjusting their business practices to effectively compete. In addition, it is important that the IFA community support its lobbying sister, the American Factoring Association, so that it can continue with its mission of educating the legislative branch so that it has a proper understanding of the factoring industry.
Fighting the Stigma of Factoring

Have you ever heard the saying that perception is reality? Although I’ve written tons of articles, spoken at numerous SBA and financing workshops while preaching the benefits of invoice factoring, I’m still amazed at how our industry is perceived in the finance industry.

Those of you in the factoring industry know what I’m talking about. It’s the stigma associated with invoice factoring. So often, I’ll be attending a networking event where a CPA will tell me that he consistently advises his clients to stay away from factoring and that they should only use it as a last resort if they need cash. Then there are the small business owners who don’t even know what invoice factoring is or how it can benefit their cash flow.

The factoring industry has made tremendous strides in the last few years, especially in the wake of the global credit crisis which forced many businesses to seek alternative lending solutions. This opportunity has fueled an impressive growth for funders and brokers alike in the asset based lending community. Along with this growth, we have also witnessed an array of new factoring companies, online business lenders, and exchanges. Folks in the finance and personal investment community are learning that cash flow is king and many companies need our services. However, as part of this fine industry which I speak so highly of, there are issues that need to be discussed as they relate to who we are, what we do, and how to best service our clients.

Obviously, every factoring company has their own unique set of policies and procedures for approving and funding new clients. Some factors charge application fees to weed out legitimate prospects while others forego the expense with the hope of attracting more deals. Some factors require a minimum term in their agreement, such as six months or a year, while other may require a monthly minimum usage fee. What makes this industry so great is that we all have the ability to create our own set of policies that may be aggressive in one facet of a deal while being conservative in another. At the end of the day, it is each funder’s personal preference, based on their risk tolerance of factoring invoices.

Having over twenty years combined experience in both the mortgage banking and insurance industries, as well as reporting to the Securities and Exchange Commission for a publicly traded corporation, I have firsthand knowledge of government regulations and compliance.

“What makes this industry so great is that we all have the ability to create our own set of policies that may be aggressive in one facet of a deal while being conservative in another.”

DON D’AMBROSIO is the president of Oxygen Funding, Inc., an invoice factoring company located in Lake Forest, California. Don has over 25 years experience working in the commercial and residential finance industries. He previously served as Controller of a commercial insurance agency and as Chief Financial Officer of a publicly traded mortgage company. He can be reached by phone at 949-305-9300 or by email at don.dambrosio@oxygenfunding.com.
I also forgot to mention that I was responsible for all external audits required in quarterly annual reporting. Okay, this is starting to sound like my resume, but I think you get the point. The asset-based industry, on the other hand, is highly unregulated and still a wide open frontier. My opinion is that our industry’s transactions are typically between two businesses rather than consumers. Our experience has been that nearly every one of our clients are well informed about their operating margins and appreciate how our services can have an immediate, positive impact on their bottom line. If they don’t understand the process and the costs associated with invoice factoring, it is our job to educate our customer so they can determine whether or not our services are the correct fit for them. One of the biggest issues I have with many new factoring companies is that they must understand that factoring is not the only solution for a company looking for additional business capital. I’ve mentioned in many of my previous blogs and articles that many banks and other institutional lenders are willing to work with our company to find the best fit for new clients or new prospects. In some cases, they may need purchase order financing, a bridge loan, and in many cases, a small business startup loan.

For those new to the factoring industry, there are many associations, professionals, and publications that provide educational guidance and useful information about the factoring industry. To start, I would recommend reading a series of books written by Jeff Callender, collectively called the “Small Factor Series”. This series is made up of six books that tell you what you need to know about factoring account receivables. The International Factoring Association regularly schedules events on how to factor niche industries such as trucking, workshops for small factoring companies, sales training, and other useful tools. For more information, go to www.factoring.org and click on the “Events” tab. While you’re at it, check out this publication for great insight from professionals giving you their perspectives and experiences on a wide range of factoring topics. My experience has been to start slow and learn the ropes as you go along. Before factoring my first invoice directly, I worked as a broker. I didn’t fund many deals, but the experience of working with different factoring companies allowed me to gain valuable information. If you do get the opportunity to work as a broker, ask the factoring company what they require to fund an invoice. You will be surprised how cooperative the funder can be, since your success equates to more business for them. Also, if you have experience working in a specific industry that could use your factoring services, that may be a good place to start.

The reason why many industries are regulated is to protect the consumer, shareholder or any other invested party from inappropriate business practices, and to create transparency. Our industry is fortunate enough where we are not under the scrutiny of many external regulatory agencies. Let’s keep it that way by practicing fair and fundamental lending and purchasing, while continuing to educate our clients and colleagues about the fundamentals of our industry.
Are Your Competitors Using UCC’s to Poach Your Client List?

Protect Your Client List With UCC Secured Party Masking

Introducing UCC Secured Party Masking from First Corporate Solutions

UCC Secured Party Masking from First Corporate Solutions provides anonymity for the secured parties on your UCC Financing Statements. This keeps your client list confidential, even in the public record. You’ll still perfect your security interest when you file a UCC-1, but we’ll help limit your exposure to competitors’ secured party searches, thus protecting your client list.

Protect Your List Today: info.ficoso.com/spms

RISK MANAGEMENT WITH GLOBAL UCC & CORPORATE DUE DILIGENCE
www.ficoso.com | 800.406.1577 | searching | filing | monitoring